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SUBJECT: BOSNIA - SCENESETTER FOR THE JULY 11-12 VISIT OF
CODEL CARNAHAN

REF: A. SARAJEVO 733

[B](#). SARAJEVO 594

[C](#). SARAJEVO 658

[D](#). SARAJEVO 810

[1](#). (SBU) SUMMARY: You come to Sarajevo to commemorate a searing event in Bosnia's history, the 1995 genocide at Srebrenica. Your participation in the event will signal, particularly to the Bosniaks, a strong USG commitment to national reconciliation. You also will meet with Bosnian leaders on the heels of the country's latest political crisis, a showdown over the High Representative's use of his extraordinary Bonn Powers to annul an action by the Republika Srpska (RS) that challenged the structures of the Dayton Peace Accords (Ref A). Such crises are virtually semi-annual events in Bosnia, as Dayton's structures, and the Bosnian state, are still weak and in need of shoring up. The basic problem here is the total lack of consensus among Bosnia's three "constituent peoples" -- Bosniaks, Serbs, and Croats -- as to what the state should look like. Our fundamental goal is to find the compromises needed to create functional, efficient governing institutions -- which, recognizing Bosnia's history, requires some degree of ethnically-based checks and balances -- and get Bosnia cemented into NATO and the EU. The recent meeting of the Peace Implementation Council (PIC) confirmed that conditions are not yet right for the closure of the international community's executive "governorship" of Bosnia, the so-called "Office of the High Representative" (OHR). However, in the coming year we will face increasing pressure to convert OHR to a more traditional, non-executive advisory "EU Special Representative" (EUSR). The PIC session exposed deep fissions among PIC members over the pace of transition. With this transition -- one for which Brussels, to say nothing of Moscow, has been pressing hard -- our leverage to promote reform will be dramatically reduced. Bosnians will have to step up to make their own decisions and find their own compromises. You will meet with a number of Bosnian leaders and will have the opportunity to judge whether Bosnia is now prepared for such "local ownership." END SUMMARY.

U.S. Policy in Bosnia

[2](#). (SBU) Our policy in Bosnia -- which Vice President Biden enunciated during his visit here in May -- has been straightforward and has enjoyed bi-partisan support for 14 years since the signing of the Dayton Peace Accords. We seek to maintain Bosnia as a single state and to ensure that the state is strong enough to take its place and meet its obligations as a member of NATO and the EU. Any talk of partition is destabilizing and dangerous. At the same time,

we have sought to ensure that power in Bosnia remains decentralized enough so that no group -- Bosniaks, Serbs, or Croats -- feels disenfranchised by the others. Finding the right balance remains a work in progress. You will want to stress with your interlocutors our government's concern for Bosnia's future; commitment to continued engagement; insistence upon Bosnia's full compliance with the requirements for closing OHR before agreeing to support transition to EUSR; and support for a strong, stable, functional, and democratic Bosnia capable of taking its place in Euro-Atlantic institutions.

Competing Ethnic Visions

13. (SBU) Fundamentally, our problem is that the state lacks legitimacy among all three ethnic groups, and Bosniaks, Serbs, and Croats differ in their visions about the type of Bosnia in which they want to live. To simplify:

-- Bosniaks, who make up close to 50 percent of the country's population, want a strong, centralized state with governing structures that include minimal ethnic checks and balances. They support the creation of regions within the country, but some seek to abolish the Republika Srpska (RS), which most consider a product of the genocide and ethnic cleansing during the 1992-1995 war.

-- Serbs, after years of attacking Dayton, have now embraced it. They want to maintain Dayton's entity-based structures and weak state. They interpret the language of Dayton strictly, and over the last two years they have sought to roll back reforms designed to make Dayton work and advance

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Bosnia's Euro-Atlantic aspirations, arguing that such reforms were not explicitly provided for in Dayton. Many Serbs would prefer the abolition of Bosnia as a state through the secession of the RS.

-- Croats aspire to their own entity. Many Croat politicians embrace the wartime principle of territorial discontinuity in order to ensure all Croat majority municipalities, which are scattered about the Federation -- the Bosniak-Croat entity -- are part of a Croat-majority entity.

-- Our policy in responding to these divergent visions is that there must be "no unilateral abolition of the entities, no secession of entities, and no third entity."

Dodik's Poisonous Politics in the RS

14. (SBU) The greatest danger to Bosnia is Serb efforts to de-legitimize and undermine the Bosnian state. RS Prime Minister Milorad Dodik, whom you may meet, is enmeshed in a campaign to roll back the very reforms that prompted NATO to invite Bosnia to join Partnership for Peace in 2007 and the EU to sign a Stabilization and Association Agreement (SAA) with Bosnia in 2008. Dodik's aim appears to be -- at a minimum -- to restore to the RS the level of autonomy it enjoyed at the end of the 1992-95 war, which would ultimately result in the collapse of the state. The latest manifestation of Dodik's destructive agenda was an effort by his government to undermine Dayton by passing official "conclusions" in the RS National Assembly that claimed that the state had illegally usurped competencies from the entities. The HighRep subsequently used the Bonn Powers to annul these conclusions (Ref A). The Bosniaks and Croats -- frustrated by what they perceive as the HighRep's "light punishment" of those responsible for anti-Dayton behavior -- are becoming increasingly nervous and angry. This latest effort by the RS to undermine both the state's ability to function and the international community's credibility in Bosnia has therefore knocked off course our efforts to encourage compromise and consensus. Meanwhile, the

state-level corruption investigation against Dodik and other RS officials (Ref B) plays a major role in Dodik's calculus. Depending on its outcome, it could either severely weaken Dodik or give him further ammunition to portray himself as a Serb patriot, making his anti-state actions matters of self-preservation. His control of the RS media amplifies the claim that efforts against him constitute attacks on the RS and the Serb people.

Bosniaks: Tihic Strengthens Moderate Voice

15. (BU) During the October 2008 municipal elections, Bosniak voters handed Sulejman Tihic, President of the Party of Democratic Action (SDA), a big victory. Tihic then received a boost from his party in May 2009 when it reelected him leader over the son of the party's late co-founder and Bosnia's wartime President. Tihic, whom you may meet, has sought to seize this political opening to gain the upper hand over Bosniak tri-presidency member Haris Silajdzic, while moving Bosniak politics in a more moderate and constructive direction -- something we support. For his part, Silajdzic in recent months has attempted to move beyond his "all-or-nothing" approach to key reforms -- and his earlier statements characterizing the RS as a genocidal creation -- to create space for what he hopes will be renewed US efforts at resolving Bosnia's present institutional crises. The other prominent figure in Bosniak politics is Zlatko Lagumdzija, leader of the multi-ethnic (but in fact largely Bosniak) Social Democratic Party (SDP). SDP is in opposition both at the state level and in the Federation, and Lagumdzija sees it as his duty to oppose initiatives proposed by the unwieldy governing coalition, even if his party supports the substance of those initiatives.

Croats: Battle of the HDZs

16. (SBU) The leading Croat politician is Dragan Covic, the chairman of the Croatian Democratic Union (HDZ)-BiH. Covic's main Croat opponents, the nationalist HDZ-1990, split from him in 2006 after he decided to support a U.S.-brokered package of constitutional amendments, which ultimately failed. Covic is generally a constructive politician, but

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HDZ-1990's rise has constrained him politically over the last couple of years. Covic defeated HDZ-1990 in the October 2008 municipal elections, so he now has more room to maneuver. He has taken advantage of this to reestablish an effective working partnership with Tihic.

Downfall of Prud

17. (SBU) One such effort at compromise, the Prud Agreement (Ref C), began as a bold effort by Tihic to find a complex, compromise-based solution that would encourage the Serbs and Croats to contribute to building a functional state. Tihic convened the meeting in November, shortly after his party's success at the polls, with Covic and Dodik, whose parties also garnered major election victories. Tihic took a major political risk at Prud, and his Bosniak opponents -- notably Silajdzic and Lagumdzija -- heavily criticized his efforts. Now Tihic has backed off from the Prud process due to his frustration with Dodik's anti-Dayton behavior and, in his view, the HighRep's tepid response to it. Although Prud itself provided few concrete answers to the complex questions it posed, we had openly encouraged the dialogue it produced. Our challenge, now that the dust is settling from the HighRep's annulment of the RSNA conclusions, will be to help reinvigorate these discussions to include all parties, as the three Prud leaders alone do not have the requisite majority in Parliament to implement, for example, constitutional reform.

18. (SBU) There is consensus within the international community and some local political actors that constitutional reform is necessary, but there is no agreement on how, or when, would be best to accomplish it. We believe constitutional reform should be a US-led process -- as only we have the stature and credibility to lead these reforms -- but also include a strong EU role, as we may need to use EU membership requirements to leverage agreement among political leaders on specific aspects of the reforms. Our engagement, though, should focus on forging compromises among political leaders, as only local ownership will lend the new constitution the legitimacy it needs. Our main challenge will be engaging the Serbs, who have systematically rejected the idea of international brokering of the process (though not the involvement of "experts" in an advisory role). The pull of EU and NATO membership -- which is a distant prospect for Bosnia in any case and does not explicitly require constitutional reform -- is unlikely to give us sufficient leverage with the Serbs. We will need to be prepared to put considerable pressure on the Serbs to bring them to the table.

OHR and Transition to EUSR

19. (SBU) These are the challenges we face as we, our European allies, and OHR work to implement the Peace Implementation Council (PIC's) five objectives and two conditions ("five plus two") for OHR's closure and transition to EUSR. Representatives of PIC member states at their June 29-30 session confirmed that although a number of the "five plus two" requirements are complete, Bosnia has made little progress toward fulfilling the others (Ref D). The Europeans and Russians are anxious for transition as early as possible, although the Europeans declared at the PIC session that they will join us in insisting on Bosnia's full completion of "five plus two" before closure. We believe this approach would protect the international community's credibility in Bosnia and thereby ensure that the EUSR has a stable beginning. Bosnian Serbs seek the immediate closure of OHR, and Dodik has made numerous, provocative statements suggesting he will roll back OHR's state-building efforts as soon as the office closes, and he stated at the PIC that he will ignore any further use of the Bonn Powers in the meantime. Meanwhile, the Bosniaks' fear of Dodik's behavior, combined with the specter of a weakened international community, tempts them to obstruct efforts to fulfill "five plus two" to keep OHR open. Tihic at the PIC session went so far as to declare that OHR's closure "in this complex political and constitutional situation" could lead to conflict.

Economic Crisis Further Cripples Bosnian Economy

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10. (SBU) Further crippling the political climate in Bosnia is its struggling economy. Bosnia is one of the poorest countries in Europe and has yet to fully recover from the war. Economic growth over the past few years was an encouraging six percent annually, but the global economic crisis has now reached Bosnia. The International Monetary Fund (IMF) estimates that GDP will decline by three percent in 2009 and not begin to recover until 2010. The market for key exports such as aluminum and steel has collapsed, unemployment is at 23 percent (higher among young people), and the two entities have both seen their budgets move into serious deficits. Also, press reports indicate that at least 2,600 Bosnians have recently returned home after losing their jobs in Western Europe, a trend that is likely to continue. Although various plans have been announced regarding government plans to mitigate the effects of the crisis, little has actually been done. The IMF Governing Board plans

to meet on July 8 to consider approving a proposed \$1.5 billion, three-year standby arrangement. The Federation Finance Minister says that without the IMF loan, the Federation could be bankrupt by September or October. The RS is in similarly dire straits.

Srebrenica's Political and Economic Turmoil

¶11. (SBU) In July 1995, units of the Serbian Army and the then-Army of Republika Srpska (VRS) -- under the command of General Ratko Mladic, whom the International Criminal Tribunal for the former Yugoslavia (ICTY) has indicted for war crimes and who remains at large -- killed an estimated 8,000 Bosniak men and boys and drove out 25,000 to 30,000 refugees from the small enclave of Srebrenica. The ICTY in 2004 unanimously ruled that this massacre -- the largest mass murder in Europe since World War II -- constitutes genocide. The International Court of Justice (ICJ) concurred with the ICTY's ruling in 2007, adding that Serbia "had violated its obligation to prevent genocide." Since the ICJ ruling, Bosnian politicians have increasingly used Srebrenica as a stage from which to address their constituents' broader, ethnic-based concerns. High-level Bosniak visitors, both religious and political, regularly come to Srebrenica to "score points" and burnish their images as "good Bosniaks." On the Serb side, the ethnic Serb Municipal Assembly Speaker three times this year has led his party in walk-outs of the Assembly, complaining of the ability of Bosniak refugees to continue to vote in Srebrenica and thereby outvote the Serbs.

(Note: The Bosniaks hold the mayoralty in Srebrenica because of an Embassy-led effort to allow and encourage refugees to vote in Srebrenica. End Note) Compounding the political turmoil in the municipality is the global financial crisis, with a number of investors suspending or stopping activity, and several of Srebrenica's mining-related industries suffering from a downturn in purchases from processors in the region. Your visit to Srebrenica will signal to all ethnic groups that we remain concerned about Srebrenica's future and committed to ethnic reconciliation.

ENGLISH